

**Federal Student Aid (FSA)
Chief Financial Officer (CFO)**

Procedures for reconciling Form 2000 to FMS

How does the Form 2000 to FMS reconciliation process work?

The process involves 14 basic steps

1. Obtain FMS Trial Balances for the Federal Family Education Loan Program (FFEL) Financing Fund (4251XNY) for the period being reconciled.
2. Determine monthly Guaranty Agency activity totals for each G/L account for the month being reconciled.
3. Determine monthly Form 2000 activity electronically submitted by Guaranty Agencies.
4. Compare Form 2000 activity totals to FMS activity totals by G/L account for the period being reconciled.
5. Identify detail transactions (timing and non-timing) that comprise the differences
6. Ensure prior period timing differences clear in the current period being reconciled, and if not, continue to reflect as outstanding timing differences
7. Determine whether current period differences are timing or permanent differences
8. Research and analyze permanent differences to determine appropriate action to resolve the difference
9. Make recommendations to management to resolve any systemic differences identified
10. Propose journal entries to correct non-recurring differences, as appropriate
11. Ensure all entries correcting permanent differences are posted properly
12. When all differences have been identified, analyzed and correcting entries made as appropriate the preparer will sign the reconciliation and forward for review/approval.
13. Reviewer will review the reconciliation and either approve the reconciliation or return it to the preparer, for further analysis and resolution
14. Approved reconciliations will be maintained in hard copy and soft copy and made available to auditors upon request.

What does this document do?

This document specifies the procedure for reconciling transactions originating from Form 2000 data electronically submitted by Guaranty Agencies to FSA and processed by FMS.

What is the policy on reconciling Form 2000 to FMS

The Form 2000 source data should be reconciled to FMS to verify that the transactions are accurately posted to FMS. These reconciliations should be performed preferably on a *monthly basis, but at a minimum, on a quarterly basis.*

Who must follow the procedures in this document?

FSA's Accounting Division will be responsible for performing these reconciliations.

14 basic steps for reconciling the FMS to the FMSS

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- 1) Obtain FMS Trial Balances for the Federal Family Education Loan Program (FFEL) Financing Fund (4251XNY) for the period being reconciled.**

When?

Within five calendar days after month-end closing of FMS

- a) Obtain soft copy of FMS T/B for FFEL Fund 4251XNY.
- b) On an as needed basis, compare G/L accounts on FMS T/B to Accounting Treatment documentation.

- 2) Determine monthly Guaranty Agency activity totals for each G/L account for the month being reconciled.**

When?

Within fifteen calendar days after month-end closing of FMS

- a) Identify Guaranty Agency activity by object class. Object class 65025 relates to FFEL accrued interest – Consolidated and object class 74016 relates FFEL principal – Consolidated.

- 3) Determine monthly Form 2000 activity electronically submitted by Guaranty Agencies.**

As an AD member you must:

When?

Same as step 2

- a) Obtain file of Form 2000 data
- b) Identify Form 2000 reporting months which match activity in FMS
- c) Total Form 2000 data by G/L account balance and copy into the reconciliation worksheet

- 4) Compare Form 2000 activity totals to FMS activity totals by G/L account for the period being reconciled.**

As an AD member you must:

When?

Same as step 2

- a) Prepare a worksheet comparing G/L account balance on Form 2000 to FMS T/B

- 5) Identify detail transactions (timing and non-timing) that comprise the differences**

As an AD member you must:

When?

Within twenty calendar days after month-end closing of FMS

- a) Verify that prior period timing differences clear in the current period
- b) If differences do not clear continue to reflect as outstanding timing differences

- 6) Ensure prior period timing differences clear in the current period being reconciled, and if not, continue to reflect as outstanding timing differences**

As an AD member you must:

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When?

Same as step 5

- a) Verify that prior period timing differences clear in the current period
- b) If differences do not clear continue to reflect as outstanding timing differences

7) Determine whether current period differences are timing or permanent differences

As an AD member you must:

When?

Same as step 5

- a) Analyze the differences to determine whether the difference is a timing or permanent difference.
- b) A timing difference is typically posted in one system at the end of the month but not in the other.
- c) A permanent difference can result from a recurring systematic cross walk difference or from a manual entry posted to one system and not another

8) Research and analyze permanent differences

When?

Same as step 5

- a) Identify the source of all permanent differences.
- b) Determine whether or not the permanent difference is a recurring systemic error or an occasional difference caused by a manual entry. For example, if the difference is caused by a manual journal entry, obtain a copy of the entry and determine if it was keyed and posted properly. The entry may have been mistakenly posted as a debit versus a credit or an incorrect G/L could have been entered during the posting process.

9) Make recommendations to management to resolve any systemic differences identified.

As an AD member you must:

When?

Within one month after month-end closing of FMS

- a) Any differences that caused by recurring systemic errors such accounting cross walk errors should be reported to management with a recommendation to resolve the identified errors
- b) An assessment should be made on the impact of the systemic errors on past reporting periods, which could necessitate a prior period adjustment if the error is material

10) Propose journal entries to correct non-recurring differences, as appropriate.

As an AD member you must:

When?

Same as step 5

- a) Make recommendations to post journal entries to correct non-recurring differences caused by manual entries posted to one system and not the other.

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11) Ensure all entries correcting permanent differences are posted properly

As an AD member you must:

When?

Same as step 9

- a) A) Verify that any correcting journal entries is properly posted in a subsequent period to resolve
- b) non-timing differences.

12) When all differences have been identified, analyzed, and correcting entries made, as appropriate the preparer will sign the recommendation and forward for review/approval

As an AD member you must:

When?

Same as step 5

- a) The preparer will ensure that all differences have been identified, analyzed and correcting entries made
- b) Before signing the reconciliation and forwarding it for review/approval the preparer will ensure that all worksheets are complete including all supporting reconciliation worksheets agree to summary reconciliation worksheets.

13) Reviewer will review the reconciliation and either approve the reconciliation or return it to the preparer, for further analysis and resolution

As an AD member you must:

When?

Same as step 9

- a) The reviewer will perform a quality review of the reconciliation worksheets
- b) If the reviewer finds errors or the worksheets are incomplete he/she will return the worksheets to the preparer for further analysis/correction.

14) Approved reconciliations will be maintained in hard copy and soft copy and made available to auditors upon request.

As an AD member you must:

When?

Same as step 9

- a) All approved reconciliations will be retained in hard and soft copy and made available to management or auditors upon request.